



JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

State of Utah Department of Commerce

Division of Securities

FRANCINE A. GIANI
Executive Director

JASON P. PERRY
Deputy Director

WAYNE KLEIN
Director of Securities

NEWS RELEASE

DAIRY INVESTMENT SCHEME QUESTIONED

February 28, 2006. Salt Lake City, Utah . . . Francine A. Giani, Executive Director of the Utah Department of Commerce announced that the Division of Securities issued an Order to Show Cause today against American-Dairy.com, Inc., of Salt Lake City, A. Paul Schwenke, of Draper, and Jamis M. Johnson, of Salt Lake City. Schwenke held himself out as president of American-Dairy and Johnson held himself out as the company's CEO.

The Order to Show Cause alleges that in 2000 Schwenke and Johnson persuaded the owners of a dairy in rural Utah to exchange their ownership in the dairy to American-Dairy for stock in American-Dairy. Schwenke and Johnson claimed they had access to \$10 million in financing and could refinance the existing loans of the dairy owners at more favorable rates. The owners were told that the American-Dairy stock would be worth at least \$5 per share when American-Dairy went public in the near future. Schwenke and Johnson also told the dairy owners they were practicing attorneys, when in fact they both had been disbarred for taking client funds. They did not disclose to the owners their prior business losses or large tax liens.

The Division alleges that while American-Dairy had promised to assume responsibilities for the dairy's operations, in fact American-Dairy made no payments on the existing loans. The property was foreclosed and the owners were evicted. None of the existing loans was refinanced. Instead, Schwenke borrowed \$50,000 from another lender, secured by the dairy's property.

A hearing will be held in April to consider the Division's allegations. Criminal charges also are pending against Schwenke and Johnson.